

**COMMENTS OF DIRECT ENERGY SERVICES, LLC ON HOUSE BILL 5789,
AN ACT CONCERNING MUNICIPAL AGGREGATION**

ENERGY AND TECHNOLOGY COMMITTEE

March 7, 2008

Direct Energy Services, LLC ("Direct Energy"), a licensed competitive supplier of electricity and natural gas in Connecticut, is pleased to provide these comments in support of HB 5789, An Act Concerning Municipal Aggregation.

Direct Energy views aggregation as an appropriate and useful tool in making the transition from vertically-integrated to fully-competitive retail electricity and natural gas markets. It can provide an important opportunity for groups of customers to find value in the market and gain experience with competitive supply. This approach has brought significant value to customers of the Cape Light Compact in Massachusetts, an entity that represents the municipalities on Cape Cod, Martha's Vineyard, and Nantucket; the citizens of the City of Marlborough, Massachusetts; and the citizens of over 200 communities in Ohio. Direct Energy has significant experience in these programs, and serves tens of thousands of residential natural gas customers in Ohio through such aggregation programs.

Direct Energy sees this as a particularly opportune time to implement an aggregation program in Connecticut. The changes in the market brought by Public Act 07-242 have brought electricity customers a much broader range of competitive options than was previously available, and the response to the increased number of competitive offerings in the state has been very encouraging. At the same time, the great majority of customers who were placed on standard service at the beginning of 2007 remain on standard service. Aggregation gives those customers the chance to take advantage of the benefits brought through this increased number of competitive market en masse, maximizing . Facilitating the movement of relatively large groups of customers from standard service to competitive supply through aggregation would also benefit utilities by reducing their standard service obligation, which ties up utility credit that could be better put to use maintaining and improving the core distribution and transmission functions of the utility.

In order to maximize the benefits of aggregation in a developing market like the one in Connecticut, Direct Energy recommends that the aggregation be on an "opt-out" rather than "opt-in" basis, as currently provided by HB 5789. Including in the aggregation pool all residents who do not affirmatively

choose not to be included enhances the buying power of the aggregation and appropriately addresses the status quo bias that keeps a large number of customers on standard service. Making the aggregation "opt-out" would still give customers ample opportunity to choose a different competitive suppliers or to remain with standard service should they so choose. The approach allows customers to express their choice through local officials, who remain directly accountable to the citizens of a municipality, which is more of a choice than they were given when customers were moved en masse to standard service at the beginning of 2007.

In no event, however, should aggregation be allowed to interfere with existing arrangements that customers have made with competitive suppliers. Where customers have affirmatively chosen to take service from a competitive supplier, that choice should be honored. For that reason, the aggregation pool should include only those citizens currently on standard service, and should exclude customers taking service from competitive suppliers, as is done in the municipal aggregation programs in Massachusetts.

Thank you for the opportunity to provide these comments.

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